

**TOWN OF EAST DUKE, OKLAHOMA  
DUKE, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**TOWN OF EAST DUKE, OKLAHOMA**  
**TABLE OF CONTENTS**  
**For the fiscal year ended JUNE 30, 2014**

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	<u><b>Page</b></u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	4-9
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	10
Statement of Activities	11-12
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14-15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Fund Net position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to Basic Financial Statements	19-27
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	28
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	29-30

## **TOWN OF EAST DUKE, OKLAHOMA**

### **LIST OF PRINCIPAL OFFICIALS**

#### TOWN COUNCIL

Bobby Baird, Mayor

Herbert Turner

Todd Warren

Timmy Johns

Dennis Hennessey

#### TOWN CLERK

Cheyenne Houska

Telephone: (580) 782-5541

e-mail: [dotcpa@davidotatecpa.com](mailto:dotcpa@davidotatecpa.com)

Fax: (580) 782-5140

## ***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

### **Independent Auditor's Report**

The governing body of the  
Town of East Duke

#### **Report on the financial statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of East Duke as of and for the year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

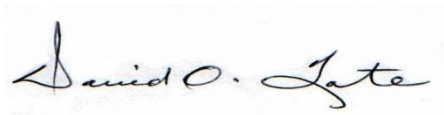
#### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the Town of East Duke as of June 30, 2014, and respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other matters

### Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and budgetary comparison information on page 28 be presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information previously referred to in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, reading "David O. Tate". The signature is written in a cursive style with a large initial "D" and "T".

Certified Public Accountant  
January 15, 2015

Our discussion and analysis of the Town of Duke's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

### ***Financial Summary***

- For the fiscal year ended June 30, 2014, the Town's total net position decreased by \$3,584 or 1% from the prior year net position of \$1,843,389.
- During the year, Town's expenses for governmental activities amounted to \$93,262 and were funded by program revenues of \$5,765 and further funded programs with taxes and other general revenues that totaled \$42,407.
- In the Town's business-type activities, program revenues exceeded program expenses by \$45,758. This current year activity resulted in a decrease in net position over prior year of \$5,489 or less than 1%.
- At June 30, 2014, total governmental funds reported an unassigned fund balance of \$11,052, a decrease of 21% over prior year of \$14,010.

### ***Overview of the Financial Statements***

This discussion and analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

### ***Government-wide Financial Statements***

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the statement of net position. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the statement of activities, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions of the revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general governments, public safety, public services, and culture and recreation. Business-type activities include water utilities, solid waste management, and wastewater utilities.

The Town's financial reporting entity includes the funds and blended organizations of the Town (primary government). These legally separate organizations operate like Town departments, serve as financing vehicles for Town services, or are governed by a Board of Trustees wholly comprised of the Town's

Mayor and Council. These organizations are blended into the primary government for financial reporting purposes. The Duke Municipal Authority a blended organization.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

#### Governmental funds

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with the fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating accrual financing requirements of the governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

#### Proprietary funds

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as utilities.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds and individual component units.

### **Notes to the financial statements**

The accompanying notes to the financial statements provide information essential to gain a full understanding of the government-wide and fund financial statements. The notes of the financial statements begin immediately following the basic financial statements.

### **Other information**

Major funds and component units are reported in the basic financial statements as discussed.

### ***Financial Analysis of the Town as a Whole***

Changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at June 30, 2014 was \$1,839,805. This is a \$3,584 decrease over June 30, 2013 net position of \$1,843,389.

**TOWN OF EAST DUKE, OKLAHOMA**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**JUNE 30, 2014**

**Summary of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>			
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>\$</b>	<b>%</b>
							<b>Change</b>	<b>Change</b>
Current assets	\$ 352,967	\$ 377,431	\$ 405,713	\$ 310,465	\$ 758,680	\$ 687,896	\$ (70,784)	-9%
Capital assets, net	4,521	2,444	1,633,194	1,580,182	1,637,715	1,582,626	(55,089)	-3%
<b>Total assets</b>	<b>\$ 357,488</b>	<b>\$ 379,875</b>	<b>\$ 2,038,907</b>	<b>\$ 1,890,647</b>	<b>\$ 2,396,395</b>	<b>\$ 2,270,522</b>	<b>\$ (125,873)</b>	<b>-5%</b>
Current liabilities	\$ 186,713	\$ 196,733	\$ 160,695	\$ 34,345	\$ 347,408	\$ 231,078	\$ (116,330)	-33%
Non-current liabilities	-	-	205,598	202,083	205,598	202,083	(3,515)	-2%
<b>Total liabilities</b>	<b>\$ 186,713</b>	<b>\$ 196,733</b>	<b>\$ 366,293</b>	<b>\$ 236,428</b>	<b>\$ 553,006</b>	<b>\$ 433,161</b>	<b>\$ (119,845)</b>	<b>-22%</b>
Net position								
Invested in capital assets, net of related debt	\$ 4,521	\$ 2,444	\$ 1,406,143	\$ 1,374,934	\$ 1,410,664	\$ 1,377,378	\$ (33,286)	-2%
Restricted	152,244	172,090	123,066	126,475	275,310	298,565	23,255	8%
Unrestricted	14,010	11,052	143,405	152,810	157,415	163,862	6,447	4%
<b>Total net position</b>	<b>\$ 170,775</b>	<b>\$ 185,586</b>	<b>\$ 1,672,614</b>	<b>\$ 1,654,219</b>	<b>\$ 1,843,389</b>	<b>\$ 1,839,805</b>	<b>\$ (3,584)</b>	<b>0%</b>

The Town reported positive balances in total net position for both governmental and business-type activities. Net position increased \$14,811 for governmental activities and decreased \$18,395 for business-type activities. The Town's overall financial position decreased during fiscal year 2014.

**Summary of Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>			
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>\$</b>	<b>%</b>
							<b>Change</b>	<b>Change</b>
<b>Revenues</b>								
Program revenues	\$ 4,325	\$ 5,765	\$ 694,810	\$ 739,795	\$ 699,135	\$ 745,560	\$ 46,425	7%
Taxes and other general revenues	47,602	41,801	13,449	2,521	61,051	44,322	(16,729)	-27%
<b>Total revenues</b>	<b>51,927</b>	<b>47,566</b>	<b>708,259</b>	<b>742,316</b>	<b>760,186</b>	<b>789,882</b>	<b>29,696</b>	<b>4%</b>
<b>Expenses</b>								
General government	46,107	37,984	-	-	46,107	37,984	(8,123)	-18%
Public safety and judiciary	-	53,008	-	-	-	53,008	53,008	100%
Transportation	-	322	-	-	-	322	322	100%
Cultural, parks, and recreation	-	1,948	-	-	-	1,948	1,948	100%
Water	-	-	494,855	520,584	494,855	520,584	25,729	5%
Sewer	-	-	32,738	32,929	32,738	32,929	191	1%
Sanitation	-	-	60,832	61,802	60,832	61,802	970	2%
Customer service	-	-	93,652	78,722	93,652	78,722	(14,930)	-16%
<b>Total expenses</b>	<b>46,107</b>	<b>93,262</b>	<b>682,077</b>	<b>694,037</b>	<b>728,184</b>	<b>787,299</b>	<b>59,115</b>	<b>8%</b>
Excess (deficiency) before transfers	5,820	(45,696)	26,182	48,279	32,002	2,583	(29,419)	-92%
Investment Income	768	606	120	32	888	638	(250)	-28%
Transfers	-	53,800	-	(53,800)	-	-	0	100%
<b>Increase (decrease) in net position</b>	<b>\$ 6,588</b>	<b>\$ 8,710</b>	<b>\$ 26,302</b>	<b>\$ (5,489)</b>	<b>\$ 32,890</b>	<b>\$ 3,221</b>	<b>\$ (29,669)</b>	<b>-90%</b>

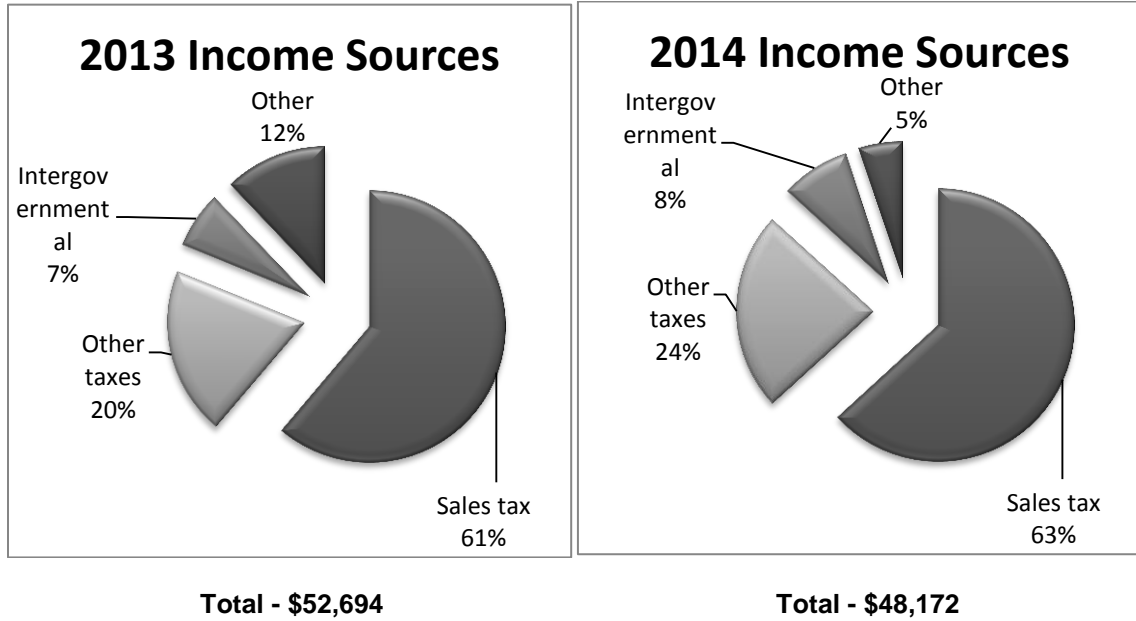
Overall, total revenues increased 4%, which is attributed to revenues in the business-type activities.



Operating expenses increased 8% compared to prior year.

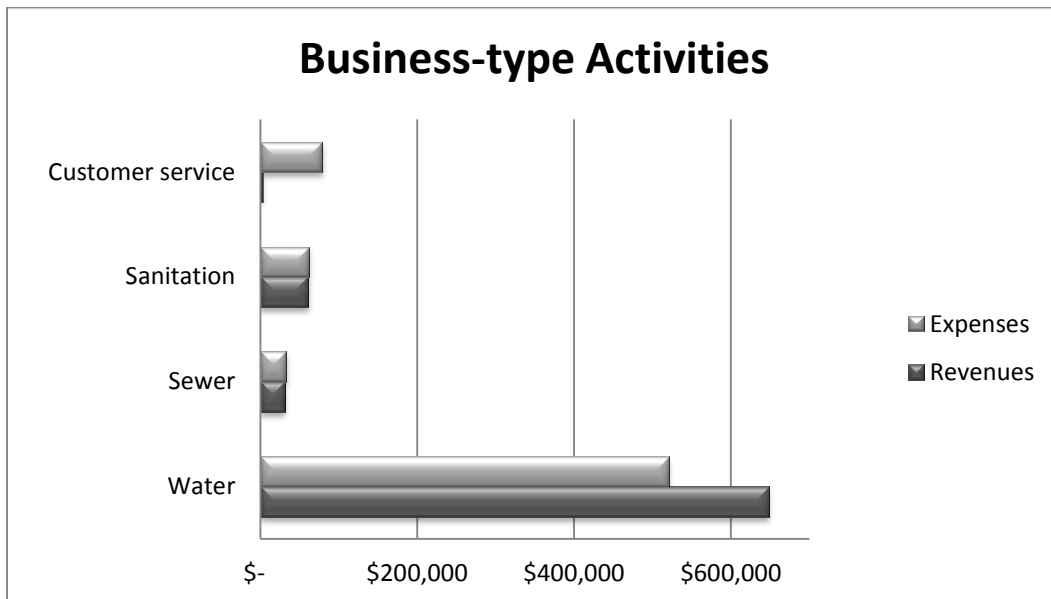
Graphic presentations of the Summary of Changes in Net Position follow to assist in the analysis of the Town's activities for fiscal year 2013 and 2014.

### Governmental Activities



Overall revenues from governmental activities decreased. The majority of this decrease was noted in Other Income.

### Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with no user charges.

### ***Financial Analysis of the Town's Funds***

#### **Governmental funds**

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending funds balance of \$11,052, which is considered unassigned, and, if positive, indicate availability for continuing Town service requirements.

The total ending fund balance of governmental funds show an increase of \$16,888. Refer to discussion above.

#### ***General Fund Budgetary Highlights***

The original adopted General Fund budget for fiscal year 2014 was \$64,400. Council approved budget amendments during the fiscal year increasing the budget by \$37,450, for a final amended budget of \$101,850, prior to transfers. The Town did not adopt a budget for fiscal year 2013. The General Fund budget complied with financial policies approved by the Town.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2014 was \$2,444 and \$1,580,182 respectively. This is a 3% change year over year primarily related to depreciation.

#### **Primary Government Capital Assets (net of accumulated depreciation)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Land	\$ -	\$ -	\$ 29,645	\$ 29,645	\$ 29,645	\$ 29,645
Construction in Process	-	-	-	-	-	-
Machinery & equipment	4,521	2,444	646	1,616	5,167	4,060
Utility property & improvements	-	-	1,602,903	1,548,921	1,602,903	1,548,921
Totals	<u>\$ 4,521</u>	<u>\$ 2,444</u>	<u>\$ 1,633,194</u>	<u>\$ 1,580,182</u>	<u>\$ 1,637,715</u>	<u>\$ 1,582,626</u>

#### **Long-Term Debt**

At the end of the fiscal year, the Town had \$184,656 in long-term debt outstanding attributable to the business-type activities. The Town's changes in long-term debt by type of debt are as follows:

**Primary Government Long-Term Debt**

	<b>Business-type Activities</b>	
	<b><u>2013</u></b>	<b><u>2014</u></b>
Notes payable	\$ 194,176	\$ 189,523
Revenue bonds	<u>32,875</u>	<u>15,725</u>
subtotal	227,051	205,248
less current portion	<u>(21,453)</u>	<u>(20,592)</u>
<b>Totals</b>	<b><u>\$ 205,598</u></b>	<b><u>\$ 184,656</u></b>

**ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

The economic outlook of the Town of East Duke is based, in a small way, of that of the Oklahoma City market area. In prior years, the state of Oklahoma felt the impact of the weak national economic conditions. This resulted in a flat economic environment for the City. The economic slowdown has continued to impact the Town in the current year.

The Town of East Duke (the "Town") is striving to continue to provide the best possible service with the limited resources available. During fiscal year 2014, sales tax collections noted a slight decrease of approximately 6%. Utility revenues increased approximately 5% between years. The Town continues to provide the best possible service with limited resources available.

The Town will focus on priorities established by the elected officials in the future.

The source for the economic data is the Oklahoma State University Center for Applied Economic Research.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office at PO Box 340, Duke, Oklahoma, 73532 or phone at (580) 679-3400.

**Town of East Duke, Oklahoma**  
**Statement of Net Position**  
**June 30, 2014**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash and cash equivalents	\$ 167,785	\$ 90,038	\$ 257,823
Investments, including time deposits	40,000	-	40,000
Taxes receivable	3,754	-	3,754
Accounts receivable (net)	-	59,246	59,246
Due from other funds	-	34,706	34,706
Total current assets	<u>211,539</u>	<u>183,990</u>	<u>395,529</u>
Restricted assets:			
Cash and cash equivalents	17,851	126,475	144,326
Total restricted assets	<u>17,851</u>	<u>126,475</u>	<u>144,326</u>
Noncurrent Assets:			
Land and construction in progress	-	29,645	29,645
Other capital assets (net of accumulated depreciation)	2,444	1,550,537	1,552,981
Total noncurrent assets	<u>2,444</u>	<u>1,580,182</u>	<u>1,582,626</u>
Total assets	<u>\$ 231,834</u>	<u>\$ 1,890,647</u>	<u>\$ 2,122,481</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Payroll liabilities	\$ 11,541	\$ 13,753	\$ 25,294
Due to other funds	34,707	-	34,707
Notes payable, current	-	20,592	20,592
Total current liabilities	<u>46,248</u>	<u>34,345</u>	<u>80,593</u>
Liabilities payable from restricted assets:			
Customer deposits payable	-	17,427	17,427
Total liabilities payable from restricted assets	<u>-</u>	<u>17,427</u>	<u>17,427</u>
Noncurrent liabilities:			
Notes payable, non-current	-	184,656	184,656
Total noncurrent liabilities	<u>-</u>	<u>184,656</u>	<u>184,656</u>
Total liabilities	<u>46,248</u>	<u>236,428</u>	<u>282,676</u>
 <b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,444	1,374,934	1,377,378
Restricted	172,090	126,475	298,565
Unrestricted	11,052	152,810	163,862
Total net position	<u>\$ 185,586</u>	<u>\$ 1,654,219</u>	<u>\$ 1,839,805</u>

**Town of East Duke, Oklahoma**  
**Statement of Activities**  
**June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 37,984	\$ 1,825	\$ -	\$ -	\$ (36,159)
Total general government	37,984	1,825	-	-	(36,159)
Public safety and judiciary:					
Police	49,391				(49,391)
Fire	2,667				(2,667)
Animal Control	950				(950)
Total public safety and judiciary	53,008				(53,008)
Transportation:					
Street	322	-	3,940	-	3,618
Total transportation	322	-	3,940	-	3,618
Cultural, parks and recreation:					
Park	552				(552)
Community Building	1,396	-	-		(1,396)
Total cultural, parks and recreation	1,948	-	-	-	(1,948)
Total governmental activities	93,262	1,825	3,940	-	(87,497)
Business-type activities:					
Utility services:					
Water	520,584	647,863	-	-	127,279
Sewer	32,929	31,174	-	-	(1,755)
Sanitation	61,802	60,758	-	-	(1,044)
Customer service	78,722		-	-	(78,722)
Total business-type activities	694,037	739,795	-	-	45,758
<b>Total primary government</b>	<b>\$ 787,299</b>	<b>\$ 741,620</b>	<b>\$ 3,940</b>	<b>\$ -</b>	<b>\$ (41,739)</b>

**Town of East Duke, Oklahoma**  
**Statement of Activities (continued)**  
**June 30, 2014**

<b>Changes in Net Position:</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (87,497)	\$ 45,758	\$ (41,739)
General revenues:			
Taxes:			
Sales taxes	30,448	-	30,448
Franchise taxes	8,779	-	8,779
Alcoholic beverage tax	2,208	-	2,208
Cigarette tax	366	-	366
Investment income	606	32	638
Miscellaneous	-	2,521	2,521
Transfers - Internal activity, net	53,800	(53,800)	-
Total general revenues and transfers	96,207	(51,247)	44,960
<b>Change in net position</b>	8,710	(5,489)	3,221
<b>Net position-beginning</b>	170,775	1,672,614	1,843,389
Prior Period Restatement	(11,237)	(12,906)	(24,143)
<b>Net position-ending</b>	<u>\$ 168,248</u>	<u>\$ 1,654,219</u>	<u>\$ 1,822,467</u>

**Town of East Duke, Oklahoma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General Fund</u>	<u>Street &amp; Alley Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 167,785	\$ -	\$ 167,785
Investments, including time deposits	40,000	-	40,000
Restricted cash	5,085	12,766	17,851
Taxes Receivable	3,754	-	3,754
Due from other funds	132,089	18,396	150,485
Total assets	<u>\$ 348,713</u>	<u>\$ 31,162</u>	<u>\$ 379,875</u>
<b>LIABILITIES</b>			
Due to other funds	167,249	17,943	185,192
Payroll liabilities	11,541	-	11,541
Total liabilities	<u>178,790</u>	<u>17,943</u>	<u>196,733</u>
<b>FUND BALANCES</b>			
Nonspendable	\$ 135,843	\$ 18,396	\$ 154,239
Restricted	5,085	12,766	17,851
Unassigned	28,995	(17,943)	11,052
Total fund balances	<u>169,923</u>	<u>13,219</u>	<u>183,142</u>
Total liabilities and fund balances	<u>\$ 348,713</u>	<u>\$ 31,162</u>	<u>\$ 379,875</u>
Total fund balance- total governmental funds			\$ 183,142

Amounts reported for governmental activities in the Statement of Net Position are different because:

Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.

Capital assets	12,432	
Less: Accumulated depreciation	<u>(9,988)</u>	<u>2,444</u>
Net position of governmental activities		<u>\$ 185,586</u>

**Town of East Duke, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Street & Alley Fund	Total Governmental Funds
<b><u>REVENUES</u></b>			
Sales tax	\$ 30,448	\$ -	\$ 30,448
Beverage tax	2,208	-	2,208
Franchise taxes	8,779	-	8,779
Cigarette tax	366	-	366
Licenses and permits	100	-	100
Investment income	606	-	606
Rental income	1,725	-	1,725
Intergovernmental	-	3,940	3,940
Miscellaneous	-	-	-
Total revenues	<u>44,232</u>	<u>3,940</u>	<u>48,172</u>
<b><u>EXPENDITURES</u></b>			
General government:			
Personal Services	-	-	-
Materials and supplies	2,610	-	2,610
Other services and charges	35,374	322	35,696
Total general government	<u>37,984</u>	<u>322</u>	<u>38,306</u>
Fire:			
Materials and supplies	1,054	-	1,054
Other services and charges	1,613	-	1,613
Total fire	<u>2,667</u>	<u>-</u>	<u>2,667</u>
Police:			
Personal Services	43,808	-	43,808
Materials and supplies	2,708	-	2,708
Other services and charges	1,008	-	1,008
Total police	<u>47,524</u>	<u>-</u>	<u>47,524</u>
Community Building:			
Materials and supplies	124	-	124
Other services and charges	1,272	-	1,272
Total community building	<u>1,396</u>	<u>-</u>	<u>1,396</u>
Parks and Recreation			
Other services and charges	342	-	342
Total parks and recreation	<u>342</u>	<u>-</u>	<u>342</u>
Animal Control			
Personal Services	950	-	950
Materials and supplies	-	-	-
Other services and charges	-	-	-
Total animal control	<u>950</u>	<u>-</u>	<u>950</u>
Capital outlay	-	-	-
Total expenditures	<u>90,863</u>	<u>322</u>	<u>91,185</u>
Excess (deficiency) of revenues over expenditures	<u>(46,631)</u>	<u>3,618</u>	<u>(43,013)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers out	-	-	-
Transfers in	53,800	-	53,800
Total other financing sources and uses	<u>53,800</u>	<u>-</u>	<u>53,800</u>
Net change in fund balances	7,169	3,618	10,787
Fund balances - beginning	155,732	10,522	166,254
Prior Period Restatement	7,022	(921)	6,101
Fund balances - ending	<u>\$ 169,923</u>	<u>\$ 13,219</u>	<u>\$ 183,142</u>



**Town of East Duke, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2014**

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Reconciliation of the change in fund balances - total governmental funds  
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ 10,787
Amounts reported for governmental activities in the Statement of Activities are different because:	

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Depreciation expense	(2,077)
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Change in Net Position of Governmental Activities	<u>\$ 8,710</u>
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**Town of East Duke, Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Municipal Authority</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 90,038	\$ 90,038
Accounts receivable (net)	59,246	59,246
Due from other funds	34,706	34,706
Total	<u>183,990</u>	<u>183,990</u>
Restricted assets:		
Cash and cash equivalents	126,475	126,475
Total restricted assets	<u>126,475</u>	<u>126,475</u>
Noncurrent assets:		
Capital assets (net)	1,580,182	1,580,182
Total noncurrent assets	<u>1,580,182</u>	<u>1,580,182</u>
<b>Total assets</b>	<u>\$ 1,890,647</u>	<u>\$ 1,890,647</u>
<b>LIABILITIES</b>		
Current liabilities:		
Payroll liabilities	\$ 13,753	\$ 13,753
Notes payable, current	20,592	20,592
Total current liabilities	<u>34,345</u>	<u>34,345</u>
Liabilities payable from restricted assets:		
Customer deposits payable	17,427	17,427
Total liabilities payable from restricted assets	<u>17,427</u>	<u>17,427</u>
Noncurrent liabilities:		
Notes payable, non-current	184,656	184,656
Total noncurrent liabilities	<u>184,656</u>	<u>184,656</u>
<b>Total liabilities</b>	<u>236,428</u>	<u>236,428</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,374,934	1,374,934
Restricted	126,475	126,475
Unrestricted	<u>152,810</u>	<u>152,810</u>
<b>Total net position</b>	<u>\$ 1,654,219</u>	<u>\$ 1,654,219</u>

**Town of East Duke, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	<b>Business-type Activities</b>	
	<b>Municipal Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Operating revenues:</u></b>		
Charges for services:		
Water charges	\$ 647,863	\$ 647,863
Sewer charges	31,174	31,174
Sanitation charges	60,758	60,758
Total charges for services	<u>739,795</u>	<u>739,795</u>
Miscellaneous	2,522	2,522
Total operating revenues	<u>742,317</u>	<u>742,317</u>
<b><u>Operating expenses:</u></b>		
Cost of Goods Sold	423,565	423,565
Personal services	46,654	46,654
Materials and supplies	48,004	48,004
Other services and charges	110,379	110,379
Depreciation and amortization	54,757	54,757
Total operating expenses	<u>683,359</u>	<u>683,359</u>
Net operating income	\$ 58,958	\$ 58,958
<b><u>Nonoperating revenue (expense):</u></b>		
Investment income	32	32
Interest expense	<u>(10,679)</u>	<u>(10,679)</u>
Total nonoperating revenue (expense)	<u>(10,647)</u>	<u>(10,647)</u>
<b>Net Income before contributions and transfers</b>	48,311	48,311
Transfers to other funds, net	<u>(53,800)</u>	<u>(53,800)</u>
<b>Change in net position</b>	(5,489)	(5,489)
Net position-beginning of year	1,672,614	1,672,614
Prior period restatement	<u>(12,906)</u>	<u>(12,906)</u>
Net position-end of year	<u>\$ 1,654,219</u>	<u>\$ 1,654,219</u>

**Town of East Duke, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	<b>Business-type Activities</b>	
	<b>Municipal Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Cash flows from operating activities:</u></b>		
Receipts from customers	\$ 752,723	\$ 752,723
Payments to suppliers	(570,018)	(570,018)
Payments to employees	(48,240)	(48,240)
<b>Net cash provided (used) by operating activities</b>	<b>134,465</b>	<b>134,465</b>
<b><u>Cash flows from non-capital financing activities:</u></b>		
Transfers to other funds	(53,800)	(53,800)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(53,800)</b>	<b>(53,800)</b>
<b><u>Cash flows from capital and related financing activities:</u></b>		
Purchase of capital assets	(1,745)	(1,745)
Principal paid on capital debt	(21,803)	(21,803)
Interest paid on capital debt	(10,679)	(10,679)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(34,227)</b>	<b>(34,227)</b>
<b><u>Cash flows from investing activities:</u></b>		
Investment income	32	32
<b>Net cash provided (used) by investing activities</b>	<b>32</b>	<b>32</b>
Net increase (decrease) in cash and cash equivalents	46,470	46,470
Cash and cash equivalents, July 1, 2013	170,043	170,043
Cash and cash equivalents, June 30, 2014	<u>\$ 216,513</u>	<u>\$ 216,513</u>
Cash, including time deposits	\$ 90,038	\$ 90,038
Restricted cash, including time deposits	126,475	126,475
Total cash and cash equivalents, end of year	<u>\$ 216,513</u>	<u>\$ 216,513</u>
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u></b>		
Operating income (loss)	\$ 58,958	\$ 58,958
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	54,757	54,757
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	10,406	10,406
(Increase) decrease in due from other funds	10,630	10,630
Increase (decrease) in wages & benefits payable	(1,586)	(1,586)
Increase (decrease) in deposits subject to refund	1,300	1,300
<b>Net cash provided (used) by operating activities</b>	<b>\$ 134,465</b>	<b>\$ 134,465</b>

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety, street maintenance, utility (sanitation, water and sewer), culture-recreation, public improvements, and general administrative services.

***The Reporting Entity***

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Duke. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Duke.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

**Blended Component Unit Reported with Primary Government:**

Duke Municipal Authority (the "Authority") – was created April 1, 1968 under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides water, sewer, and trash services to the citizens of East Duke. Accounts of the Authority are recorded in business-type activities.

**B. Basis of Presentation**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net position and statement of activities which display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. Individual funds are not displayed by the statements. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The Town has no fiduciary funds.

***Measurement Focus and Basis of Accounting***

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough

thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

#### ***Restricted Assets***

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

#### ***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

#### ***Interfund Balances***

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

#### ***Date of Management's Review***

Subsequent events were evaluated through January 15, 2015, which is the date the financial statements were available to be issued.

### **C. Fund Types and Major Funds**

#### ***Major Governmental Funds***

##### ***General Fund***

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

##### ***Major Proprietary Funds***

##### ***Duke Municipal Authority***

The Duke Municipal Authority (DMA) accounts for transactions relating to utility services including water, sewer, and sanitation.

Management has elected to report all funds as major in the fund financial statements. This election is in accordance with GASB reporting models.

### **D. Budgets and Budgetary Accounting**

#### ***Budget Basis of Accounting***

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

### **E. Assets, Liabilities and Equity**

#### ***Cash and Investments***

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

**Receivables and Uncollectible Accounts**

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Sales and use tax are considered fully collectable. Only customer receivables that were collected within 30 days of year end were recorded. No allowance for uncollectible accounts was recorded.

**Property, Plant and Equipment**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements:**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

• Buildings	40-50 years
• Other improvements	10-25 years
• Machinery, furniture & equipment	3-20 years
• Utility property and improvements	10-50 years
• Infrastructure	25-50 years

**Fund Financial Statement**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Long-Term Debt**

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities.

**Equity Classifications**

**Governmental Fund Balances**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

**Nonspendable**

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

**Restricted**

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

**Committed**

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

**Assigned**

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

**Unassigned**

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

***Net position***

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

**Invested in capital assets, net of related debt**

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position**

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**F. Revenues, Expenditures and Expenses**

***Revenues***

**Sales Tax**

The Town levied a 2% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund.

**Charges for Services**

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

**Grants and Contributions**

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

***Interfund Transfers***

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Fund Net position/Fund Balance**

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town had no deficit fund net position or fund balances for the fiscal year.

**B. Budget Requirements**

For the year ended June 30, 2014, the Town did not overspend in any department-level category.



**C. Revenue Restrictions**

The Town has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes

**(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**A. Cash and Investments**

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. At June 30, 2014, the Town's deposits were properly collateralized.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

**TOWN OF EAST DUKE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Investments**

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Governmental Activities</b>				
<b><u>INVESTMENTS:</u></b>				
Certificates of deposit	\$ 177,000	\$ 177,000	N/A	42
Total investments	<u>177,000</u>	<u>177,000</u>		
Total governmental investments	<u>\$ 177,000</u>	<u>\$ 177,000</u>		

**RECONCILIATION TO STATEMENT OF NET POSITION**

Investments, unrestricted	\$ 40,000
Cash and Cash Equivalents	137,000
Total governmental investments	<u>\$ 177,000</u>

**Business-type Activities**

**INVESTMENTS:**

Certificates of deposit	\$ -	\$ -	N/A	N/A
Total investments	<u>0</u>	<u>0</u>		
Total business-type investments	<u>\$ -</u>	<u>\$ -</u>		

**RECONCILIATION TO STATEMENT OF NET ASSETS**

Investments, unrestricted	\$ -
Investments, restricted	-
Total governmental investments	<u>\$ -</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

Restricted assets consist of the following:

**Primary Government**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Cash and cash equivalents</b>			
Community Building cash	\$ 5,085	\$ -	\$ 5,085
Street & Alley cash	12,766	-	12,766
Meter deposits	-	17,427	17,427
Lagoon project	-	77,491	77,491
USDA Reserve	-	10,775	10,775
<b>Total cash and cash equivalents</b>	<u>17,851</u>	<u>105,693</u>	<u>123,544</u>
<b>Investments</b>			
Bond sinking fund	-	2,162	2,162
Bond sinking reserve fund	-	18,620	18,620
<b>Total investments</b>	<u>-</u>	<u>20,782</u>	<u>20,782</u>
<b>Total restricted assets</b>	<u>\$ 17,851</u>	<u>\$ 126,475</u>	<u>\$ 144,326</u>

**TOWN OF EAST DUKE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**B. PROPERTY, PLANT AND EQUIPMENT**

**Governmental Activities:**

A summary of the changes in the governmental activities fixed assets at June 30, 2014 follows:

	<b>Balance at June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2014</b>
Land	\$ -	\$ -	\$ -	\$ -
Buildings & structures	-	-	-	-
Machinery, furniture, & equipment	12,432	-	-	12,432
Improvements other than land	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	12,432	-	-	12,432
Less accumulated depreciation	7,912	2,077	-	9,989
	<hr/>	<hr/>	<hr/>	<hr/>
Fixed assets, net	\$ 4,520	\$ (2,077)	\$ -	\$ 2,443
	<hr/>	<hr/>	<hr/>	<hr/>

**Business-Type Activities:**

A summary of the proprietary fund types fixed assets at June 30, 2014 follows:

	<b>Balance at June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2014</b>
<b>Duke Municipal Authority</b>				
Land	\$ 29,645	\$ -	\$ -	\$ 29,645
Buildings	-	-	-	-
Machinery, furniture, & equipment	25,208	1,745	-	26,953
Utility property and improvements	2,159,257	-	-	2,159,257
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,214,110	1,745	-	2,215,855
Less accumulated depreciation	580,916	54,757	-	635,673
	<hr/>	<hr/>	<hr/>	<hr/>
Fixed assets, net	\$ 1,633,194	\$ (53,012)	\$ -	\$ 1,580,182
	<hr/>	<hr/>	<hr/>	<hr/>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ -
Public safety & judiciary	1,867
Cultural, parks & recreation	210
Total governmental activities depreciation expense	<hr/> \$ 2,077 <hr/>

Depreciation expense charges to business-type activities:

Water	21,713
Sewer	32,462
Administration	582
Total business-type activities depreciation expense	<hr/> \$ 54,757 <hr/>

**TOWN OF EAST DUKE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**C. LONG-TERM DEBT**

The following is a summary of long-term debt for the year ended June 30, 2014:

**NOTES PAYABLE**

**Business-Type Activities:**

DMA entered into a promissory note with the United States Department of Agriculture in the amount of \$244,000 at 4.5% interest for a period of 40 years. Debt was issued on May 15, 1997. Monthly payments of \$1,108 are made; debt matures May 2037. \$ 189,523

DMA entered into a promissory note with the Oklahoma Water Resources Board in the amount of \$200,000 at variable interest for a period of 25 years. Debt was issued on March 21, 1990. Semi-annual installment payments are made; debt matures February 2015.

\$ 15,725

\$ 205,248

**Changes in Long-Term Debt:**

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

Type of Debt	Balance at June 30, 2013	Amount Issued	Amount Retired	Balance at June 30, 2014	Due Within One Year
<b>Business-type activities:</b>					
<i>Notes Payable</i>					
USDA	\$ 194,176	\$ -	\$ 4,653	\$ 189,523	\$ 4,867
OWRB	32,875	-	17,150	15,725	15,725
Total business-type activities	<u>227,051</u>	<u>-</u>	<u>21,803</u>	<u>205,248</u>	<u>20,592</u>

The Town recorded \$10,679 of interest expense in business-type activities for the year ended June 30, 2014.

**Annual Debt Service Requirements:**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014 follow:

Year Ending June 30	Notes Payable		Total	
	Principal	Interest	Principal	Interest
2015	20,592 #	8,429	20,592	8,429
2016	5,091 #	8,205	5,091	8,205
2017	5,324 #	7,972	5,324	7,972
2018	5,569 #	7,727	5,569	7,727
2019	5,825 #	7,471	5,825	7,471
2020-2024	33,393 #	33,087	33,393	33,087
2025-2029	41,801 #	24,679	41,801	24,679
2030-2034	52,327 #	14,153	52,327	14,153
2035-2037	35,327	2,367	35,327	2,367
Totals	<u>\$ 205,249</u>	<u>\$ 114,090</u>	<u>\$ 205,249</u>	<u>\$ 114,090</u>

**D. INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers for the year ended June 30, 2014 were as follows:

<u>Transfer To/Transfer From</u>	<u>To</u>	<u>From</u>
GOVERNMENTAL FUND: General Fund	\$ -	\$ -
Street & Alley	-	-
Municipal Authority (Enterprise Fund)	-	53,800
ENTERPRISE FUND: Municipal Authority		
General Fund	53,800	-
Grand Total	<u>53,800</u>	<u>53,800</u>

**(4) COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The Town is not party to any legal proceedings.

**B. Grant Program Involvement**

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**(5) OTHER NOTES**

**Employee Benefit Plans**

The Town has a defined contribution plan (under section 401(a) and 501 (a) of the IRS Code) known as the Town of East Duke and Duke Municipal Authority Plan (the "Plan") which covers full-time employees 6 months after their date of employment. Employees are required to contribute 3% to the plan, but can contribute more, although these additional contributions shall be nondeductible for tax purposes. The Town contributes 2.5% of the covered employee's payroll. Employees are 50% vested in employer contributions after 5 years of service with increasing vesting percentages until they are fully vested after 10 years of service. Total employer contribution expense was \$1,437.88 in fiscal year 2014, while the employees contributed \$1,725.45. The plan is administered by the Oklahoma Municipal Retirement Fund. The Plan has been established and can be amended by Town Council's approval of an ordinance and Joinder agreement.

**Town of East Duke, Oklahoma**  
**General Fund**  
**June 30, 2014**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Revisions</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance - Favorable (Unfavorable)</b>
<b><u>REVENUES</u></b>					
Sales taxes	\$ 22,000	\$ 8,000	\$ 30,000	\$ 31,128	\$ 1,128
Beverage tax	1,750	400	2,150	2,185	35
Franchise taxes	9,500	(1,200)	8,300	8,732	432
Investment income	1,600	(1,075)	525	606	81
Charges for services	-	1,375	1,375	1,575	200
Intergovernmental	400	(50)	350	3,563	3,213
Miscellaneous	1,300	(1,200)	100	100	-
Total revenues and budgeted carryover	36,550	6,250	42,800	47,889	5,089
<b><u>EXPENDITURES</u></b>					
Current:					
<u>General government</u>					
Personal services	40,000	(38,000)	2,000	-	2,000
Materials & supplies	9,400	(6,000)	3,400	2,610	790
Other services & charges	15,000	20,000	35,000	33,951	1,049
Total general government	64,400	(24,000)	40,400	36,561	3,839
<u>Public safety and judiciary:</u>					
Police					
Personal services	-	50,000	50,000	43,807	6,193
Materials & supplies	-	3,800	3,800	2,709	1,091
Other services & charges	-	1,400	1,400	1,008	392
Fire					
Materials & supplies	-	1,200	1,200	1,054	146
Other services & charges	-	1,800	1,800	1,613	187
Animal Control					
Personal services	-	1,100	1,100	950	150
Total public safety and judiciary	-	59,300	59,300	51,141	8,159
<u>Cultural, parks and recreation:</u>					
Park					
Other services & charges	-	500	500	342	158
Community Building					
Materials & supplies	-	150	150	124	26
Other services & charges	-	1,500	1,500	1,272	228
Total cultural, parks and recreation	-	2,150	2,150	1,738	412
Total expenditures	64,400	37,450	101,850	89,440	12,410
Revenue over (under) expenditures	(27,850)	(31,200)	(59,050)	(41,551)	17,499
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Operating transfers in/(out)	-	60,000	60,000	53,800	(6,200)
Net other financing sources (uses)	-	60,000	60,000	53,800	(6,200)
Revenues and other financing sources over (under) expenditures and other uses	(27,850)	28,800	950	12,249	11,299
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 162,778	\$ 11,299
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				862	
Expenditure and transfer accruals				(739)	
Prior period adjustments				(10,316)	
Fund balance at end of year (GAAP basis)				\$ 152,585	

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit  
of the Financial Statements Performed in Accordance with "Government Auditing Standards"

The governing body of the Town of East Duke

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund of the Town of East Duke as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of East Duke's basic financial statements, and have issued my report thereon dated January 15, 2015.

**Internal control over financial reporting**

In planning and performing my audit, I considered the Town of East Duke's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of East Duke's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of East Duke's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Town of East Duke's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

**Purpose of this report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "David O. Tate". The signature is written in a cursive style with a large initial "D" and a long, sweeping tail on the "T".

Certified Public Accountant  
January 15, 2015